INTRAMEZZO.

CORPORATE VENTURE CAPITAL & TALENT REPORT 2016

CONTENTS

FOREWORD

Building the right team is the most critical success factor for a corporate venture group and it is rarely a simple task. Creating a strong unit is dependent on acquiring a multiplicity of skills and aptitudes – in technology, finance, investing, corporate strategy, and in networking. This range of expertise is seldom found in one person alone, instead, a blend of experience across the team is often required – a strategy of appointing individuals that complement and work well together.

It certainly presents a challenge but is it accurate to say that corporate venturing, as an industry, has a talent handicap? There is certainly a widely held perception that CVC has a disadvantage when it comes to appointing and retaining good people. In any young sector, there is a talent shortage. Directly relevant experience is still hard to find and, as a result, is in high demand. Corporate venture groups have an advantage in that they can feasibly appoint from a variety of sources – from the corporate, from the investment community, from the entrepreneurial world – but these sources also represent competitive threats.

A role in corporate venturing has much to offer and it is seen as one of today's most exciting industries. For suitably motivated people, it provides the opportunity to work with the start-up community, to see new technologies, to support innovation. It is also a training ground where many develop vital skills and knowledge in investing, in sitting on boards and in building networks. There is a strong story to tell, but it is one that relies on CVC gaining greater visibility, both internally and externally, and a platform from which to articulate the proposition.

The opportunities are distinct but attraction is just one aspect of talent strategy and perhaps the bigger issues come into play when the conversation moves towards retention. It is commonly cited that corporate venture groups do not offer the level of compensation or career path required to keep hold of their best people – often losing them to their VC counterparts.

To this point, the rise of CVC has been fuelled by high-performers from a range of backgrounds – its future growth is dependent on its continued ability to attract and retain exceptional talent.

For this study, over 100 corporate venturing professionals from around the world have generously given their views on the extent of the talent challenge, their personal experiences and how they have built some of the best teams in the business. We would like to take this opportunity to gratefully thank all contributors.

Emma Brown
Director
Intramezzo

EXECUTIVE SUMMARY

Most of today's corporate venturing talent comes from either the parent company or a financial background. Of our respondents, 38.9% had been appointed from another position in the corporate group whereas 36.6% had been hired from another CVC, VC, PE or investment banking firm.

The type of fund influences the talent strategy. A quarter of firms operating a corporate/direct investment (balance sheet) model described their team as mostly comprising appointments from the parent company. Those with an LP/external funds model had made no hires from the corporate group.

There is a strong preference for a team to comprise a blend of skills and backgrounds. Over half of our respondents described their current team as being well-balanced. A range of experience, expertise and seniority is required for a high-performing corporate venture group.

Sector knowledge, financial investing experience and entrepreneurialism are the top three qualities that CVC leaders look for in new hires. 15% of respondents also felt that cultural fit is among the main priorities. Many of our contributors also talked about the need for strong interpersonal skills and networking ability.

The opportunity to support innovation is the leading reason for people getting into corporate venturing. More than a third of our respondents said this was the aspect that had first attracted them to CVC.

Remuneration and incentives are the biggest obstacle to talent acquisition and retention. 56.5% said that compensation was the dominant issue when it came to trying to attract and keep good talent.

Venture Capital is the ideal next step for many of today's corporate venturing talent. Over half of our respondents said that if they were to consider a move, it would be to a financial VC as opposed to another CVC or role within the parent group.

Networks are the most effective means of sourcing new hires. More than two thirds of our respondents had seen the most success from talent acquired through their own networks. Executive search is the second most successful approach. Centralised HR functions and advertising are rarely impactful.

SECTION ONE/ WHERE DO CVC PROFESSIONALS COME FROM?

“I don’t think the corporate venture industry really has a ‘type’ that it tries to hire and many firms have struggled because there is no easy playbook to follow”

Tony Askew, Founder Partner, REV (Reed Elsevier Ventures)

Determining the right talent pool from which to source new hires is a challenge for many corporate venture groups. The blend of skills and knowledge required to excel in this unique field can be hard to condense into one specific candidate profile – and are often dependent on the model and objectives of the fund.

One of the key debates around talent in the CVC industry is whether it is better to make internal hires, using the parent organisation as a source, or appoint from the financial sector.

Our survey results leaned towards the latter – with 58% stating that it is easier to appoint someone from the financial industry and teach them the culture and strategic objectives of the corporate; than it is to extract someone from the parent group and teach them about investing.

The Managing Director of a leading European corporate venture group reinforced this notion, saying: "On the whole we tend to recruit in people from outside. It is easier to learn the network – it does take two or three years – but learning the venturing piece is an even longer apprenticeship".

Today's current crop of corporate venture talent comes from an even mix of backgrounds. Of our respondents, 38.9% had come from the parent company, while 36.6% had been hired from a financial environment (CVC, VC, PE or investment banking).

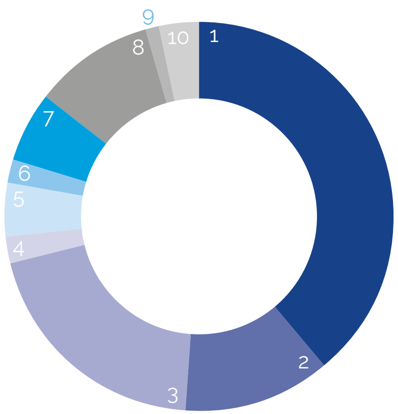


Fig. 1

Which of the following best describes your previous employer?

ANSWER OPTIONS		RESPONSE PERCENT
1	Parent company	**38.9%**
2	Corporate Venture Capital	**12.2%**
3	Venture Capital	**20.0%**
4	Private Equity	**2.2%**
5	Consultancy	**4.4%**
6	Finance / Investment Banking	**2.2%**
7	Industry (corporate)	**5.6%**
8	Start up / early stage venture	**10.0%**
9	Education / University	**1.1%**
10	Other	**3.3%**

There are a number of mitigating factors that influence where talent is sourced.

"The strategy depends on the objective of the venture entity," says Jay Onda, Director of Strategic Investments at Yamaha Motor Ventures.

The type of fund also has a significant impact. 24.5% of firms operating a corporate/direct investment (balance sheet) model said that their team mostly comprised appointments from the parent company; whereas none of the external funds (LP model) had made hires from the corporate group.

Across all survey respondents, the most widespread portrayal of the venture team was "well-balanced, comprising a range of backgrounds" – with over 50% agreeing with this description.

"If you're there strictly to add strategic value to a business unit then understanding the business is equally as important as having financial VC experience."

Jay Onda, Director of Strategic Investments at Yamaha Motor Ventures

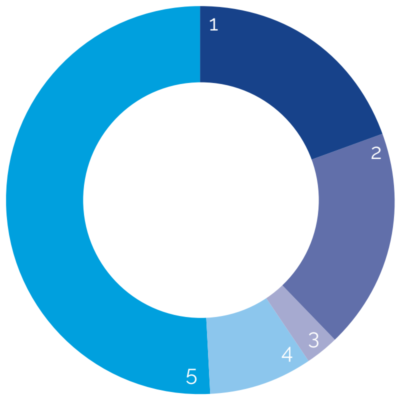


Fig. 2 Which of the following best describes the current venture fund team?

ANSWER OPTIONS	RESPONSE PERCENT
1 Mostly appointed from the parent company	**19.7%**
2 Mostly appointed from the investment or finance sector	**18.3%**
3 Mostly appointed from management consulting	**2.8%**
4 Mostly appointed from industry	**8.5%**
5 Well balanced, comprising a range of backgrounds	**50.7%**

SECTION TWO/ BALANCING THE TEAM

> "You need to build a team and know that no single person can solve all your problems – if you have too many of the same kind of individual, the team will be fatally flawed"

Managing Director, Corporate Venture Group (anon.)

Creating a well-balanced CVC team is reliant on a clear understanding of the skills needed within the group if it is to succeed. Among our respondents, sector experience is the key quality sought in new hires – with 24.4% placing this in their top three factors when making new appointments.

"The basic principle for us has always been niche skill," says Roel Bulthuis, VP & Managing Director, Merck Serono (MS) Ventures. "Understanding the science, the technical part of what we do, has always been the basic requirement. So almost everyone on the team, except for myself, has a PhD. They're all very smart scientists who are able to translate the science to relevant business opportunities."

Commonly, this sector knowledge is balanced with investing expertise within the team. "When it comes to the Investment Directors that we hire externally, we want to see that they have a deal-making or finance background," continues Bulthuis.

Our survey results show that experience of financial investing is almost equally important, cited by 21.1% of participants. Tony Askew of REV explains: "We typically hire people around two years out of university, either from investment banks or consultancies. We like to bring in people that have the core financial analytic skills because we're a research-led investment team and spend a lot of time mapping the spaces we're interested in."

Knowledge of the parent group and its strategic goals emerged as less of a factor – with only 10.6% of respondents including this in their top three. Whilst there are advantages to sourcing people from the corporate, the emphasis must be on if and how they can contribute. "There were always a lot of people from within the corporation that would say 'you have the best job ever, how can I join?'" says Miles Kirby, speaking of his time as Managing Director at Qualcomm Ventures. "It is certainly a role that's in high demand and highly regarded within the organisation. However, part of the challenge is that most people that approach the corporate venture group do not have the right skill base to add value."

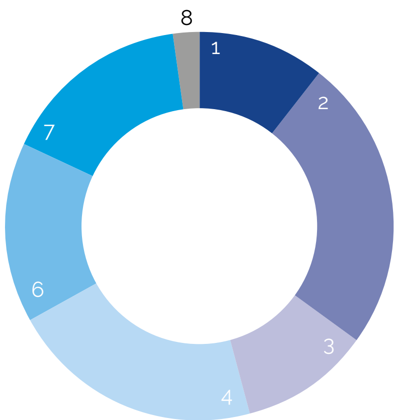


Fig. 3 **What are the most important factors when hiring into the unit?**
(NB – respondents could select up to three answers)

ANSWER OPTIONS	RESPONSE PERCENT
1 Knowledge of the parent group and the strategic goals / values	10.6%
2 Sector experience	24.4%
3 Relationship / stakeholder management	11.1%
4 Experience of financial investing	21.1%
5 Specific geographical experience	0.0%
6 Cultural fit	15.0%
7 Entrepreneurial experience	15.6%
8 Other	2.2%

In building a corporate venture team, experience is a matter of quantity as well as quality. Many new hires to CVC are people who have already attained a significant level of seniority in their careers. There is a strong rationale for this: "You cannot put inexperienced people on boards amongst those who have 20 years' business experience and 10 years' venture experience," says Dirk Nachtigal, Managing Director at BASF Venture Capital. "They wouldn't be taken seriously".

But there is often a need for balance in this regard too. Nachtigal continues: "My recommendation is to bring in senior, experienced people but you need to add a few young people that you can train and give them the opportunity to learn about entrepreneurship."

Cultural fit is also an integral factor in building a balanced team – with 15% of survey respondents placing this among their highest priorities.

Ensuring that new appointments possess the character, mindset and ethos to work effectively with the existing set-up is vital to most kinds of business – but the people-centric nature of corporate venturing in particular demands personable individuals that can build strong relationships and networks. "You're bringing together three different cultures – the start-up mentality, corporate culture and venture culture," says Jay Onda. "People who know how to adapt and navigate between those three worlds will have an easier time managing the conversation between them."

Cultural fit is also an integral factor in building a balanced team

15%

say this is a top priority

"My recommendation is to bring in senior, experienced people but you need to add a few young people that you can train and give them the opportunity to learn about entrepreneurship."

Dirk Nachtigal, Managing Director at BASF Venture Capital.

SECTION THREE/ LOCATION

“We like to have people on the ground. Our investment strategy is focused on relatively early stage deals so our initial investment will always be seed or series A - for that it’s critical to have people close to the deals.”

Roel Bulthuis, VP and Managing Director at Merck Serono Ventures

When we asked our respondents to name the most important factors in making new appointments for the corporate venture unit, specific geographical experience was the bottom answer – with no participants placing this in their top three.

While this appears to be a low priority for today's corporate venture leaders, many firms have found that local knowledge is a valuable tool to harness. "At Qualcomm we felt that in order to manage deals well, you really needed people on the ground who understood the region," says Miles Kirby. "So our general approach would be to start by going over to the region - meeting some of the other VCs and working with the local business units to get a feel for the space. Then we would typically look to hire a lead in that region and then build a team of at least two because if we had just one person and they decide to leave, then you're back to ground zero".

Dirk Nachtigal speaks of a similar strategy: "We always start by trying to approach overseas markets from headquarters but at a certain point in time we usually decide to put someone in the area. Soon after we started the venture group, we did a fund investment in the US and sent one of our team members out there. That gave us an immediate ability to network in the United States as well as access to VC knowledge and deal-flow".

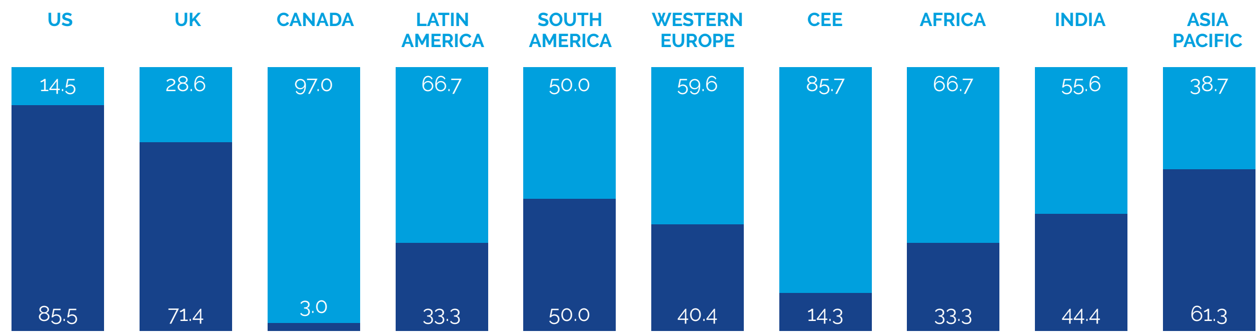
For some venture groups, having a presence in the regions in which they invest is considered a necessity, but this is not the case across the board. 49.1% of our respondents said they invested in geographies where they didn't have any team members based in that location.

Tony Askew says: "We are based in London and we invest primarily in the US. We have interests in Israel and in Germany but about 85% of our portfolio is in the US without us having a physical presence there. We spend a lot of our time on planes!"

FIG.4

% of CVCs investing in the area that do not have a regional presence

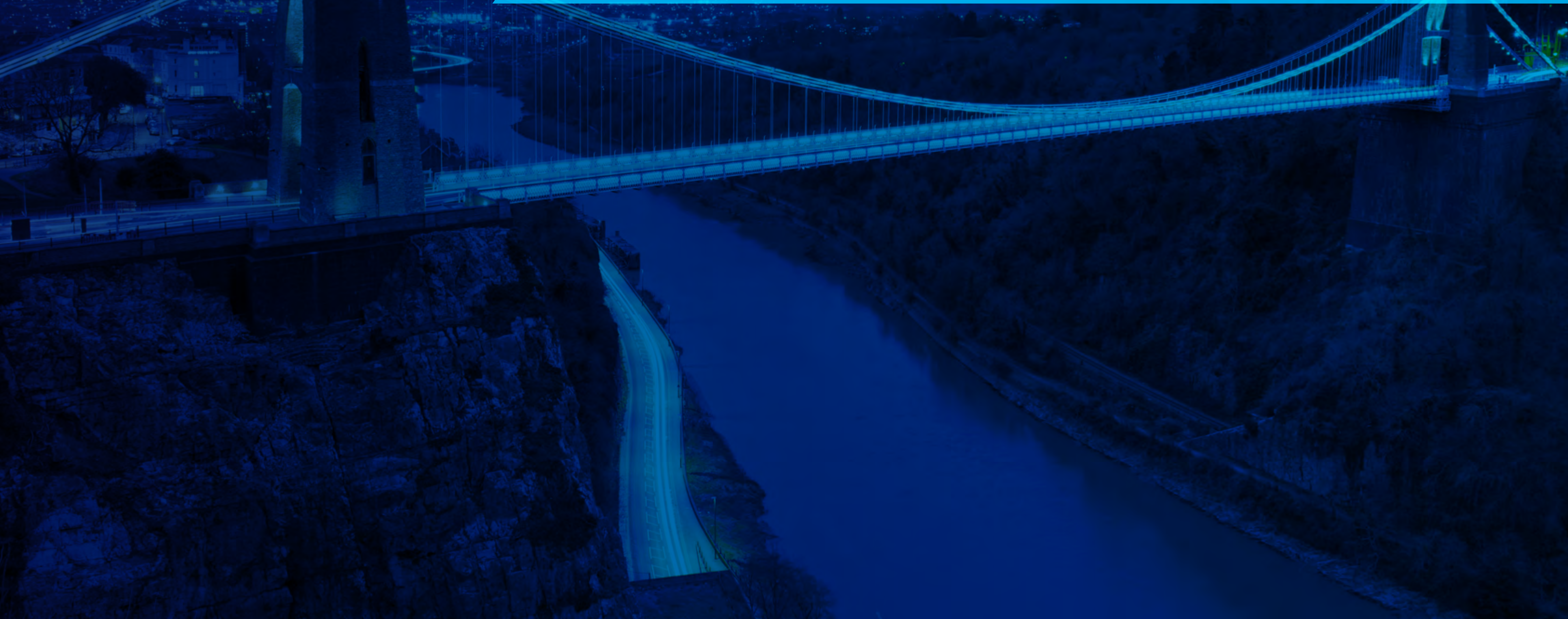
% of CVCs investing in the area that have a regional presence



SECTION FOUR / ATTRACTION

"The main talent challenge comes at the beginning, when people don't know or understand what you are doing and what it would mean for their career if they were to join."

Dirk Nachtigal, Managing Director at BASF Venture Capital



Defining what corporate venturing represents as a career opportunity is critical if the industry is to continue to attract new talent. The fact that CVC occupies an unusual space in the economic landscape - overlapping the corporate, investment and entrepreneurial worlds but not fully exemplifying them – means there can be some opacity in what a role in corporate venturing can entail and offer.

A common driver behind a move into corporate venturing is so that the individual can develop knowledge and experience in investing. "I was interested in learning more about venture capital and private equity, especially about how to improve the operational performance of the portfolio companies," said David Hansen, Investment Director at SUEZ Ventures. "There was an opportunity to join the corporate venture team and I thought it was perfect because I had an interest in investment and working with start-ups without being the manager of one."

Exposure to the early-stage ecosystem is a compelling aspect of CVC. For the majority (33.7%) of our respondents, the opportunity to support innovation and entrepreneurialism was what first attracted them to the industry. (See FIG.5)

The appeal of corporate venturing varies depending on the work environment a person is coming from. 31% of respondents who had joined from the parent company said that it was the potential career path and progression opportunities that had attracted them to the CVC unit.

By contrast, just 13.5% of respondents who came from the VC world considered this to be an attractive factor. Instead, those from a VC background described alternative reasons for getting into corporate venturing, including:

"The opportunity to be head of my own venture group, grow my brand and investment focus with a vertical, be more in control over which investments I make"

"Being totally independent from the LP"

"Build out VC skills set & relevant experience"

"Differentiated business model"

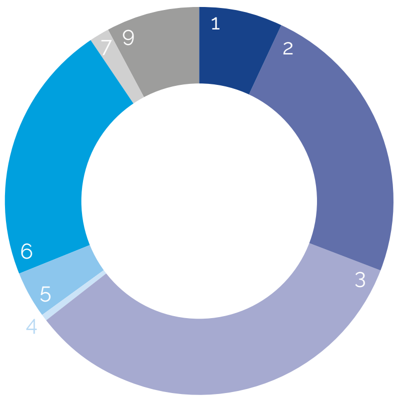
"Lack of independent VC funds in Western Europe"

"Opportunity to continue in venture"

"Changed our model, from a fund to a ltd. for many reasons - mostly relating to having the flexibility to do other things in addition to direct investment"

Fig. 5 **What first attracted you to CVC?** (NB - respondents could select up to three answers)

ANSWER OPTIONS	RESPONSE PERCENT
1 Remuneration and / or incentives	7.2%
2 Potential career path / progression	23.8%
3 Opportunity to support innovation and entrepreneurialism	33.7%
4 Opportunity to move into a corporate environment	0.5%
5 Admiration of the corporate's brand and / or ethos	3.9%
6 Opportunity to deliver strategic value to the parent and / or portfolio	21.5%
7 Compelling and credible evangelism from the employer	1.7%
8 Perks and benefits	0.0%
9 Other	7.7%



When we asked our survey respondents what they considered to be their unit's greatest strength in attracting talent, the opportunity to support innovation and entrepreneurialism again came out on top – suggesting that this is one of corporate venturing's most convincing assets when it comes to bringing new people on board.

Corporate venturing has a strong story to tell its potential candidates and many of the contributors to this study felt that attracting good people posed less of a challenge than other elements of talent strategy. The promise of exposure and access - to people, technology and networks – that a CVC role can offer is often sufficient to secure new, ambitious appointments.

"All members of my team have a lot of freedom compared to other jobs. They see the newest technology – sometimes 5-8 years before it comes to the market," says Dirk Nachtigal. "You also have a lot of interaction with interesting people and exposure you wouldn't have in other roles. It is a great job and people know that – that's why they approach me asking for a position!"

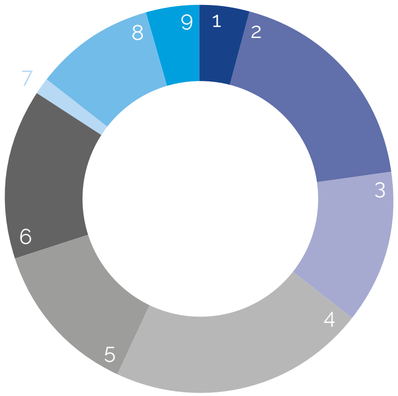
12.9% of respondents felt that the strength of the corporate brand was their unit's greatest asset in attracting talent – a powerful and positive reputation in the market can be a significant advantage. "It was one of the many factors that I considered joining Yamaha," says Jay Onda. "It makes the decision easier when it's such a well-known and respected global brand. There's definitely a brand-image association with start-up companies as well".

12.9%

of respondents felt that the strength of the corporate brand was their unit's greatest asset in attracting talent

Fig. 6 **What do you consider to be the unit's greatest asset in attracting and retaining talent?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Remuneration and / or incentives	4.3%
2 Potential career path	18.6%
3 Strong corporate brand	12.9%
4 Opportunity to support innovation and entrepreneurialism	21.4%
5 Opportunity to deliver strategic value to the parent and / or portfolio	12.9%
6 The fund's position in the competitive landscape	14.3%
7 Perks and benefits	1.4%
8 Existing leadership and team	10.0%
9 Other	4.3%



However, the corporate itself can also be a hindrance to talent acquisition and retention. 13% of participants said that the parent company and/or decision-making at group level was the unit's biggest obstacle to attracting talent – with one respondent saying "Dealing with corporate bureaucracy, delayed and/or misinformed decision-making (especially at the BU level) is by far the biggest hindrance to driving our mandate".

56.5%

cited 'Remuneration, incentives and / or lack of carry' as their main problem. The top response to this question - by quite some margin.

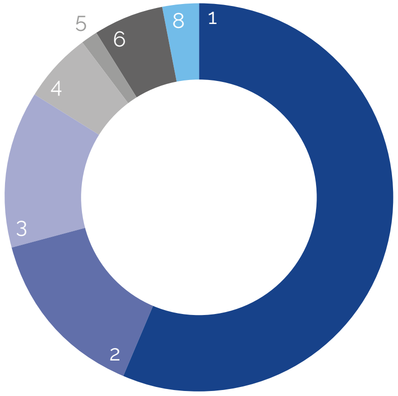


Fig. 7 **What do you consider to be the unit's biggest obstacle to attracting and retaining talent?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Remuneration, incentives and / or lack of carry	56.5%
2 Lack of clear career path	14.5%
3 The parent company and / or decision-making at group level	13.0%
4 The fund's position in the competitive landscape	5.8%
5 Cultural fit	1.4%
6 Location	5.8%
7 Job content	0.0%
8 Other	2.9%

Q&A/ CLAUDIA FAN MUNCE

A driving force behind the rise of corporate venturing, Claudia Fan Munce is one of the industry's key influencers. Ms. Munce was a founding member of the IBM Venture Capital Group when it launched in 2000 and its Managing Director since 2004. Having recently departed IBM to join New Enterprise Associates as a Venture Advisor, Ms. Munce shares her experience of building and leading one of corporate venturing's most successful teams.

When you were building the team at IBM Ventures, what kind of background did you look for in new hires?

In the past, we primarily brought people from inside IBM because every member of the team needed to be someone who understood the corporate strategy and had good credibility. So I recruited a team from strategic positions within IBM – people who had a very deep knowledge. The complexity of the corporation and our portfolio is not something that someone can learn overnight. This is why I tended to recruit from internal sources - because these individuals could help synthesize what they saw externally – the VCs, the investments, the start up companies, the global innovation trends - and make it relevant to IBM.

However, in the last few years I was recruiting primarily from outside the company. The landscape is shifting so fast and all the models are being renewed so I took the decision to recruit from the venture community - including with my own successor. We had reached a stage where we already had a team in place that knew exactly how to navigate IBM and we already had very high credibility inside the company, so I wanted to bring in people from the venture community that had a fresh eye on corporate venturing in terms of collaboration with the financial venture and the entrepreneurial ecosystem.

Were you apprehensive about how these external hires would adapt to corporate life?

I was more excited about the fact that these people would come in with a very deep knowledge of how to work with the entrepreneurs and the institutional ventures, yet they would have this tremendous support structure that I had already put in place inside IBM Ventures. I knew they would really help us innovate in terms of our engagement model and our investment model.

How challenging was it to find the right people?

I actually found an incredible set of candidates in the venture community. The macro-economic helped and there was a lot of available talent because the returns were no longer measuring up to historical levels, so these people were considering doing something different.

The rise of corporate venturing means that there is also an emerging pipeline of CVC talent. So I was tapping into the corporate venture pipeline and all the leaders that I respected in terms of identifying my own replacement.

Where was the IBM Ventures team based?

Today, the whole team is in the Bay Area. Prior to 2008, I was placing people all over the world – 41 countries at one point. But after 2008 the venture centre of gravity shifted back to Silicon Valley - the money has re-concentrated back here and we find that most people make frequent stops - and so I began progressively eliminating our other locations.

With the team all based on the West Coast, how did you handle overseas investments?

The venture team is at the front line in terms of identifying a company. We know when the strategy aligns to what the company is doing or what the venture firm is doing (we're also LP to many global venture firms). But the actual business development in terms of driving these companies into a potential partnership and vetting them as part of the potential acquisition pipeline – that is very often done in partnership with the local IBM teams and business units.

How did you attract people to work for IBM Ventures?

Internally, this was never a problem. If you're passionate about innovation, new technology, learning new things and meeting new people – there is no question that this is one of the best jobs. Recruiting internally was never a challenge because everybody wanted to work here - at the very least as a developmental opportunity so that they could rub shoulders with the VCs and sit down with the start-up companies to learn about what they do.

How much of an issue is compensation and incentives when it comes to attracting and retaining talent?

I think it is a misconception that the VCs make more money on average than corporate executives. Of course, they made more money in a good year but there hasn't been that many good years. The financial incentives in corporate venturing - just the standardized corporate executive package - is pretty good for any venture capitalist if you come in at the right level.

What makes a successful corporate venturing team?

One of the key profiles I looked for is the ability to work well in teams. Ultimately, this is a people business. It's not about the deal, it's not about the technology – it's about who you have an affinity with, who you trust, who will be an addition and not a distraction.

Personally, I believe that culture is a key success factor and have tried to hire people who are able to view deals as a reciprocal relationship rather than a transaction. That is something that has really helped me – to think about what value I can give, not just what value I can get. One of the things I'm most proud of in my tenure at IBM is the strong relationships I have built in this community.

The real challenge is filtering out those who can do it versus those who are just excited about doing it.

SECTION FIVE/ COMPENSATION

“The biggest risk for a CVC is retaining talent if the corporation does not match the VC industry norm on compensation”

Survey respondent (anon.)

Compensation in corporate venturing continues to be a pressing issue – with our respondents saying that this was the single largest obstacle to attracting and retaining talent.

There is considerable support for the notion that unless CVC remuneration packages can match their VC equivalents in both size and model, corporate venture groups will never be able to compete for the very best in investing talent.

For many corporates, this is not easy – or possible – to facilitate without creating a situation where those in the venture team are being remunerated in a way that is seriously misaligned with the rest of the group's structure. Often, a decision has to be taken on whether it is more important for the corporate venture group's compensation to have parity with the rest of the parent company or with the financial VCs.

An increasing number of CVC funds are finding ways to put their offering on a par with the traditional investment firms. "I'm a firm believer in the carried interest model and properly structuring the funds," says Tony Askew of REV. "Portfolio companies want to know that the people who are backing them and sitting on their boards are incentivised by the success of that company and the investment. That's fundamental. But how that's done is up for debate."

Whilst carried interest payments are becoming more common in corporate venturing, they remain rare. The J.Thelander 2015 CVC Compensation Survey revealed that just 4% of its 150+ respondents currently had carry. Most were incentivised and rewarded by way of a cash bonus.

Fig. 8 **Rewards and Incentives**

96%
Rewarded/incentivised
with cash bonus

42%
Rewarded/incentivised
with corporate Shares in parent company

7%
Rewarded/incentivised
with shadow or phantom carry

4%
Rewarded/incentivised
with carried interest in CVC

CREDIT: J.THELANDER 2015 CVC COMPENSATION SURVEY

Not all of our contributors favoured the carried interest model. "You hear a lot about carried interest – but for me it's irrelevant," says BASF's Dirk Nachtigal. "Corporate venturing is so different to normal business and it is so much fun that you do not need a carried interest structure in order to incentivise people."

"Carry changes your focus and mindset on investing decisions," says Jay Onda from Yamaha Motor Ventures. "You may become more concerned about making money on an exit rather than adding strategic value. However, there should be some sort of compensation in lieu of a traditional carry structure."

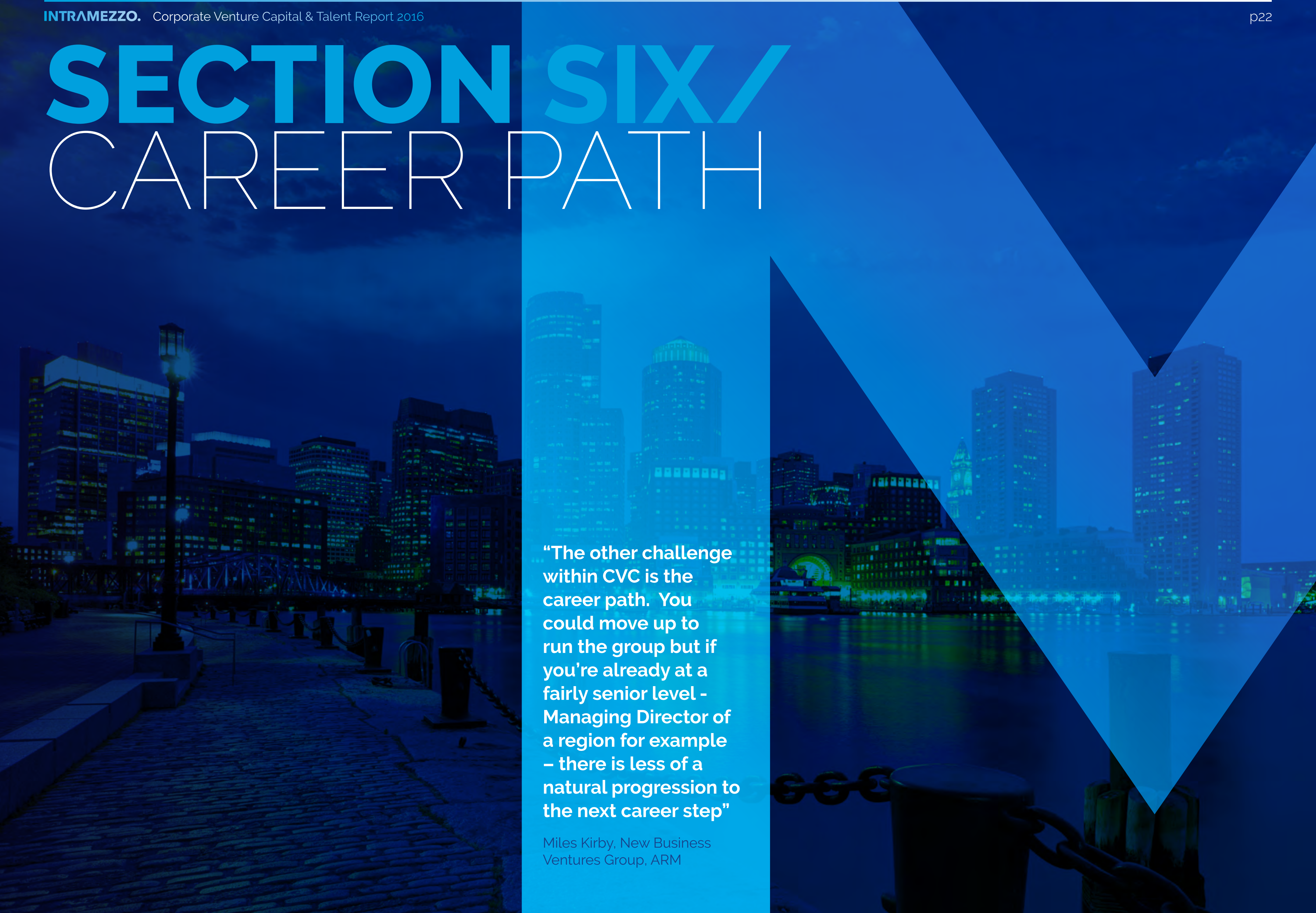
Despite compensation continuing to be a major talking point in the CVC community, there is some consensus among corporate venturing leaders who do not want their teams to be solely financially motivated.

"I think people stay because it's one of the best jobs to do, rather than purely a financial motivation," says Tony Askew. "We have a focus on longevity and so I want people's motives for being there to be about doing interesting work in a good environment. This is not an investment bank or a consultancy – it's a thoughtful environment where you build long-term relationships. If someone wants to come here only for the money, I don't want to hire them".

Roel Bulthuis feels similarly. "Compensation isn't the biggest driver for my team," he says. "They are much more driven by the fact that they have something they helped create and they have a very significant level of ownership. They work in a team that has a strong culture and sometimes feels like a family and that keeps people here for a long time."

"This is not an investment bank or a consultancy – it's a thoughtful environment where you build long-term relationships. If someone wants to come here only for the money, I don't want to hire them." Tony Askew, Founder Partner, REV (Reed Elsevier Ventures)

SECTION SIX/ CAREER PATH



"The other challenge within CVC is the career path. You could move up to run the group but if you're already at a fairly senior level - Managing Director of a region for example – there is less of a natural progression to the next career step"

Miles Kirby, New Business Ventures Group, ARM

Behind compensation, the lack of career path is corporate venturing's second biggest obstacle in terms of talent acquisition and retention.

Even though for many, taking a position within a corporate VC is a developmental role (23.8% of our survey respondents had been attracted to CVC because of the potential career path), there are limitations to the progression available.

"I think it depends on when you arrive," said one respondent. "If you arrive early on in your career you can grow within venturing. But for more senior people, the opportunities are really limited to taking on the Head of Venturing role - and if either you don't get it or you don't want it, then you're not really sure where the opportunities are."

The concept of a glass ceiling is prevalent in the corporate venturing community and many of our study's participants considered the typical tenure as being between 3-5 years.

Some corporates have embraced this natural shelf-life and are actively using the venture group as a developmental assignment for senior executives who will then move up into VP or General Manager roles in other areas of the parent company. However, one of the difficulties that CVC groups face is a misalignment with the corporate promotion model – both in terms of timeframes and the kind of experience it offers. As such, many senior corporate venturing professionals find it difficult to re-enter and climb the executive ranks of the parent company.

"The hope that you could become CEO (of the corporate) isn't there because that's just not going to happen for people inside corporate venturing," explained one of our contributors. "So it's a question of 'where do I go from here'? It's an intrinsically frustrating situation because there isn't the uncapped upside on either the salary or the career".

"The hope that you could become CEO isn't there because that's just not going to happen for people inside corporate venturing."

The inability to retain talent in either the corporate or the venture group is concerning. "The worst situation is for corporate venture groups to develop their managers and then see them leave to go elsewhere, because the group loses precious experience," says David Hansen of SUEZ Ventures.

While only 8% of our survey respondents saw themselves moving back to the parent company, more than half (52.3%) considered their ideal next career step to be a role in a traditional VC firm.

This is perhaps unsurprising given the strong investment training ground that corporate venturing provides; combined with the widely held belief that a position in a financial VC can be considerably more lucrative.

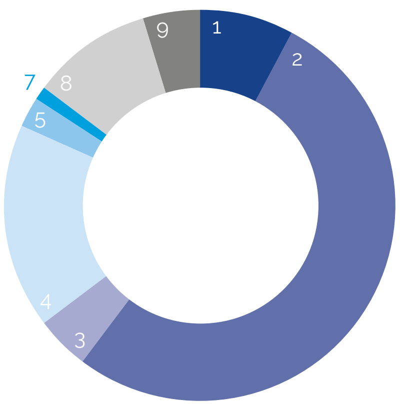
There is some evidence that corporate venturing – the industry as a whole – has less cause for concern about retention. 17% of respondents said a move to another CVC fund would be their preference and the rise of the industry is likely to continue creating more opportunities for those within it that are looking to progress. However, it also creates additional competition for corporate VC groups trying to attract and keep hold of good talent. "Corporate venturing has grown up," said one participant. "It has exploded in recent years and I think you're seeing more people move between corporate venturing units."

52.3%

considered their ideal next career step to be a role in a traditional VC firm

Fig.9 **If you were to consider a move from your current role, what would be your ideal next step?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Another position in the parent company	**8.0%**
2 Venture Capital	**52.3%**
3 Private Equity	**4.5%**
4 Another CVC fund	**17.0%**
5 Consultancy	**2.3%**
6 Finance / investment banking	**0.0%**
7 Industry (corporate)	**1.1%**
8 Start up / early stage venture	**10.2%**
9 Other	**4.5%**



SECTION SEVEN/ APPROACHING THE CHALLENGE

"The main challenges that corporate VCs face are recruitment, retention and remuneration"

Survey respondent (anon.)

Talent represents some degree of challenge to most CVC groups. Of our survey respondents, only 7.4% claimed that it posed no challenge at all; and 17.6% believed it to be a major issue.

60.3%

described talent acquisition and retention as a moderate challenge – suggesting that the majority of firms have experienced some difficulty in this area.

As the industry continues to evolve, many corporate VCs have refined their own successful talent strategies. "We have an internship programme, which is important to us," explains Roel Bulthuis of MS Ventures. "We take interns that are finishing their PhD or MBA and want to get experience in ventures. They spend six months with us then go to work somewhere else and we re-hire them after a couple of years when they have some more work experience. Today, there are four people on my team who came from that programme – two Associates, one Principal, one Director. It's an important talent pool for us and something we are going to continue to do."

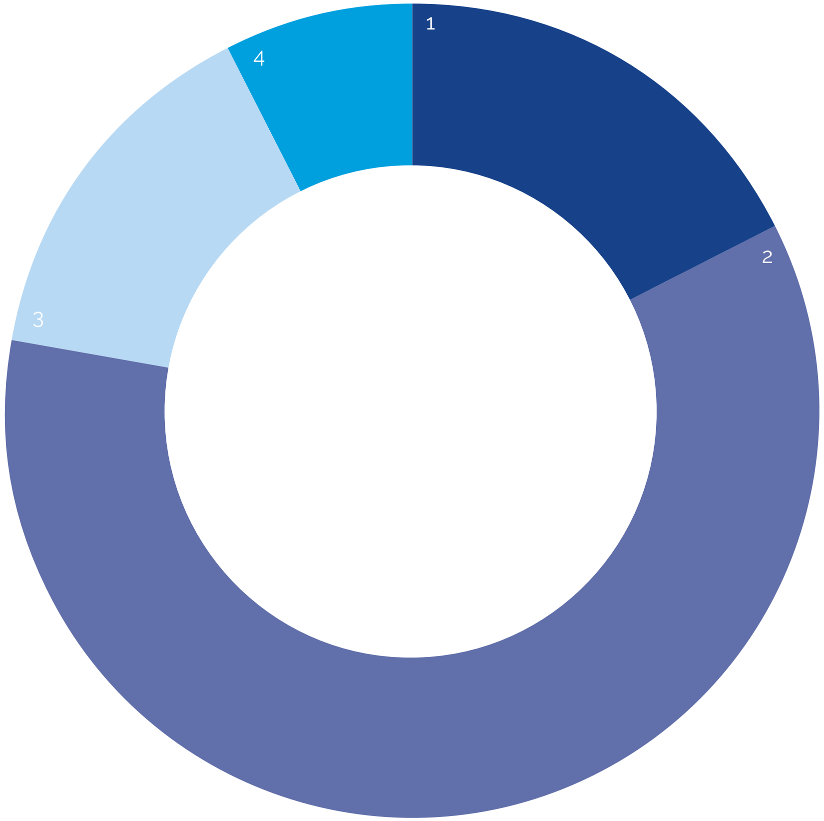


Fig. 10 **To what extent has talent acquisition and retention proved challenging?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Major challenge	**17.6%**
2 Moderate challenge	**60.3%**
3 Minor challenge	**14.7%**
4 No challenge at all	**7.4%**

Networks have always played a vital role in corporate venturing – and the ability to build and maintain relationships is highly sought after in new hires to the sector. The value of those networks also comes to bear in talent acquisition – with 70.6% of our respondents stating that this had been their most successful source of new talent.

"As well as our internship program, we spend quite a bit of time networking with people," says Roel Bulthuis. "In the last three months I've recruited seven new positions, and six of those hires came from my and my team's personal network."

Jay Onda from Yamaha Motor Ventures also talks about the importance of networks and relationships, saying: "We spend a lot of time working within the ecosystem – as mentors, as advisors, and as collaborators with other CV units or corporate innovation groups. That creates deal-flow, awareness and a trusted reputation, which results in people wanting to work with us."

An effective talent strategy is devised and delivered by people who understand the nuances of the business and corporate venturing can represent a complex proposition. Often the corporate HR function is too removed from the CVC unit to perform effectively in this regard. 21.7% of respondents said they used this approach most frequently to make new appointments but, of those, less than half (46.7%) said it was the most successful method. One contributor said: "The HR team or Hiring Manager have often never even heard of VC or understand the concept of carry".

13.2% of respondents felt that using an external recruitment agency or executive search firm was a more successful approach than using central HR. Advertising was considered the least successful – with only 2.9% of respondents saying that this method had worked best for them.

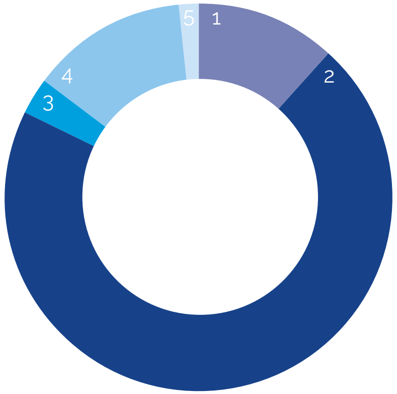


Fig.11 **To date, which hiring approach has proven to be the most successful?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Centralised group HR function	**11.8%**
2 Own network	**70.6%**
3 Advertising	**2.9%**
4 External recruitment agency / executive search firm	**13.2%**
5 Other	**1.5%**

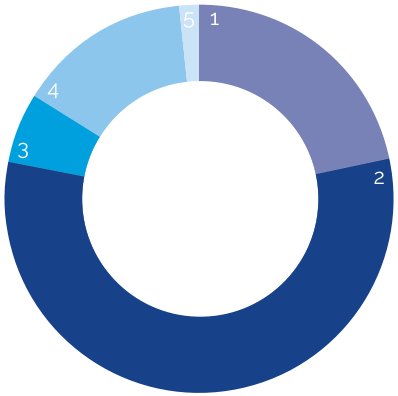


Fig.12 **Which approach do you use most often for hiring into the unit?**

ANSWER OPTIONS	RESPONSE PERCENT
1 Centralised group HR function	**21.7%**
2 Own network	**56.5%**
3 Advertising	**5.8%**
4 External recruitment agency / executive search firm	**14.5%**
5 Other	**1.4%**

SECTION EIGHT/ ADVICE FOR NEW CVC UNITS

"My advice to those who are starting a CVC unit is to hire at least one, perhaps two, people from outside who have between 7-10 years' experience in Venture Capital. It means you can access venture knowledge – how to structure a deal, how to treat the founder, how to negotiate. It's much better to have this skillset in the team from the beginning"

Dirk Nachtigal, Managing Director, BASF Venture Capital

Having the right talent strategy from the outset can give new corporate venture funds a powerful advantage – but it is difficult to achieve in a young industry where talent is often a challenge and there is no one-size-fits-all solution.

As a result, peer guidance can be conflicting, confusing and influenced by a number of factors including the objectives of the CVC, the model of the fund and even its location.

"You see a lot of middle-managers and non-start-up/venture people getting involved in corporate venturing – and that's fundamentally flawed because they don't have the right mindset or skillset," says Jay Onda. "On joining Yamaha, my advice was to avoid having too many internal people to start this up. It's better to have people who have a big network – especially in Silicon Valley."

While the subject of talent in corporate venturing is much debated, some key principles have emerged from this study:

The objectives (strategic vs. financial) will shape many aspects of the talent strategy – including the type of people required and where to locate them.

Balance is important and the team should comprise a range of skills – including knowledge of the sector, venturing and the parent company.

Credibility is key. All corporate VC teams need senior executives with the experience and gravitas to sit on boards, and be an effective influencer in the entrepreneurial and investment communities – as well as internally with the corporate.

Adding junior hires to the team can be highly effective. Roel Bulthuis says: "In the majority of cases we have focused on getting relatively young and ambitious people on board. So our focus has been more on personality than on experience and track record. We want to have people who are excited by driving new innovation and who have the ambition to build something for themselves".

A local presence can provide invaluable access to networks, knowledge and deal-flow. However, it is not always a necessity if team members are prepared to travel and the regions are culturally similar.

Strong interpersonal skills and a flair for networking are among the most important qualities for people working in corporate venturing.

Compensation packages require significant thought – especially around rewards and incentives. Decisions must be made on whether it is more important that CVC remuneration aligns with the parent or aligns with the venture industry. There are significant consequences in either case.

Financially motivated people are not always the right people. Instead, look for those who are driven by a passion for innovation, entrepreneurialism and the opportunity to build something for themselves.

Corporate venturing has a lot to offer – and attracting new hires should not present too much of a challenge if you are interviewing suitably motivated people. Understanding what drives them is important.

The career path can be limited. It is not uncommon for corporate venturing to be used as a stepping-stone for people to ultimately move into venture capital. The opportunities for progression within either the parent group or the CVC world often exist beneath a glass ceiling.

Retaining talent is difficult and there are many threats – not all can be avoided and awareness is key. Building a strong culture can offer some protection as can ensuring the team has the strength and depth to withstand departures without disrupting continuity.

SURVEY METHODOLOGY & SAMPLE

This report is based on the results of an online survey, supported by a selection of telephone interviews, completed in April and May 2016. It includes the views of over 100 respondents based predominantly in the US and Europe who currently lead or work within corporate venture capital (CVC) units.

The size of corporate venture group represented varied considerably. The majority of respondents came from a team of less than 10 people. 25.3% represented teams greater than 10 employees.

Respondents held a range of positions but predominantly held a senior executive rank within their unit.

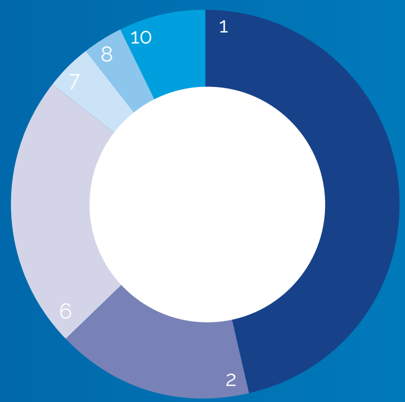


Fig.13 **In which region is the venture fund headquartered?**

ANSWER OPTIONS	RESPONSE PERCENT
1 United States	**46.4%**
2 United Kingdom	**16.5%**
3 Canada	**0.0%**
4 Latin America	**0.0%**
5 South America	**0.0%**
6 Western Europe	**22.7%**
7 Central / Eastern Europe	**4.1%**
8 Africa	**3.1%**
9 India	**0.0%**
10 Asia Pacific	**7.2%**

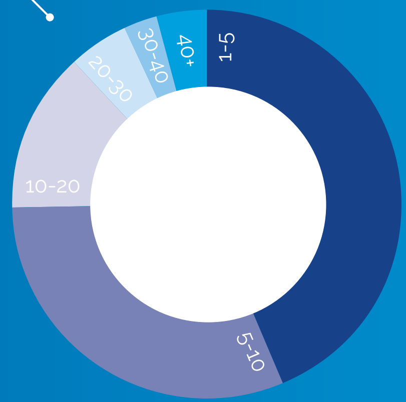


Fig.14 **What is the headcount of the venture unit you currently work for??**

ANSWER OPTIONS	RESPONSE PERCENT
1–5	**43.7%**
5–10	**31.1%**
10–20	**13.6%**
20–30	**4.9%**
30–40	**2.9%**
40+	**3.9%**

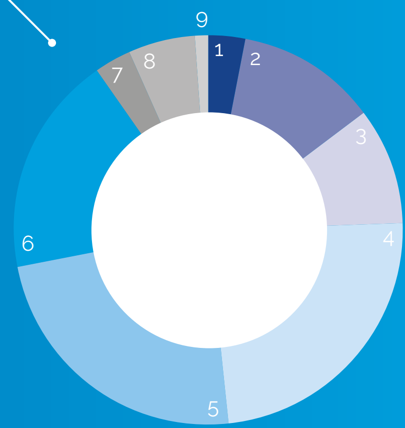


Fig.15 **Which of the following best describes the level of your role?**

ANSWER OPTIONS	RESPONSE PERCENT
1 President	**3.2%**
2 CEO	**11.8%**
3 Vice President	**9.7%**
4 Managing Director	**23.7%**
5 Director	**23.7%**
6 Partner	**18.3%**
7 Associate	**3.2%**
8 Manager	**5.4%**
9 Analyst	**1.1%**
10 Trainee	**0.0%**

ABOUT INTRAMEZZO

Intramezzo is an executive search and interim management firm, specialising in helping CVC, VC/PE firms and their portfolio businesses create world-class leadership teams.

We take an advisory approach based on in-depth market understanding, combined with a bespoke research methodology that enables our clients to secure the talent to achieve their business goals.

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